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TAGS: [ECON](#) [ELTN](#) [EINV](#) [BK](#)  
SUBJECT: BOSNIA: CORRIDOR 5C: THE ROAD NOT TRAVELED

REF: A. 09 SARAJEVO 1040  
[B.](#) 08 SARAJEVO 1685  
[C.](#) 09 SARAJEVO 1300  
[D.](#) 10 SARAJEVO 0061

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SUMMARY

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[¶](#)1. (SBU) If it is ever completed, corridor 5C, a multi-country strategic highway planned for south-central Europe would run from Budapest, Hungary, to the Adriatic port of Ploce in Croatia. Obstacles facing this project mirror the difficulty securing an agreement on other, equally important initiatives in Bosnia, from constitutional reform to VAT collection. Since its inception more than 12 years ago, the 5C project has been plagued by inter-ethnic and inter-entity rifts, allegations of corruption and graft, lack of responsibility at the central level, government officials at all levels misbehaving, and a failure of political leaders to make respectable progress despite serious international community support. End summary.

OPPORTUNITY TO IMPROVE SAFETY AND BIH GDP SQUANDERED

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[¶](#)2. (SBU) GOBH officials currently estimate that the Bosnian portion of the project should be completed by 2018, more than 20 years after the initial proposal. The most recent feasibility study from 2008 estimated the cost at 7.3 billion KM (USD 5.37 billion). The total length of the 5C corridor in Bosnia is 335 KM, with 245 KM in the Federation and 90 KM in the Republika Srpska. Regional experts note that corridor sections which have been completed in Hungary realized a 15 percent increase in traffic in 2008 and expect similar increases for 2009. Although recent studies have not estimated the 5C's potential effect on Bosnia's GDP, we understand that expanding the 5c corridor into Bosnia would dramatically increase heavy vehicle and commercial traffic from Hungary to the port of Ploce - traffic that currently circumvents Bosnia and travels west to Zagreb and then south.

Every year that Bosnia waits to move forward with the project is another year the country loses that potential revenue. Additionally, while the 5C project stagnates in the hands of local politicians, traffic accidents and traffic-related deaths are rising on Bosnia's aging two-lane roads, according to transportation officials. Throughout the region, highway improvements have reduced traffic fatalities.

Croatia, for example, has upgraded highways and suffered approximately the same number of traffic-related fatalities as Bosnia in 2008 but with three times the volume of vehicles.

MY WAY OR THE HIGHWAY

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[¶](#)3. (SBU) Although 5C preparatory work has been underway

since 2004, all nine Bosniak Federation Government members voted in August 2009 to change the previously-agreed-upon route, precipitating four of the five Croat members to walk out (ref A). Croat Federation politicians claimed this was "another example of Bosniak officials bullying Croats in Federation Government proceedings" by outvoting them. In fact, the Federation Parliament had approved the State's original route in 2007. Media speculated that State Minister of Finance and Treasury (and member of the Croatian Democratic Union, or HDZ-BiH) Dragan Vrankic, who leads the 5c project team, purchased land on the original route, and consequently prompted the strong Croat pushback to the route change.

¶4. (SBU) Jasmin Buco, an advisor to the Federation's former Minister of Spatial Planning, defended the Federation Government's (i.e Bosniaks') move. Buco told us that the State Ministry of Transport and Communication overstepped its authority by moving ahead with the 5C's final design and master plan, a competency Buco contends, that belongs to the entities and, therefore, within the Federation Ministry of Spatial Planning. State Assistant Minister for Transportation and Communication Izet Bajrambasic echoed Buco's comments that "certain elements" in his Ministry failed to respect entity authority when moving ahead with 5C.

When asked why the Ministry did not protest the State's lead role in 5C and the routing over the last several years, Buco claimed that their respective party leaders (i.e. the Bosniak Party of Democratic Action, or SDA) instructed Federation officials to accept the State's actions as part of a larger group of political compromises between SDA and Croat politicians. The Bosniak-Croat tussle over the 5C corridor reflects deterioration in the previously positive relationship between the leaders of the leading Bosniak and Croat parties, SDA and HDZ-BiH.

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POINTS OF CONTENTION: BLAGAJ AND POCITELJ

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¶5. (SBU) Despite the media's scathing corruption allegations and the Croat walk-out, there are only two points of contention between the State's and the Federation's route plan, in Blagaj and Pocitelj, two towns between Mostar and the Croatian coastal border. Pocitelj is a protected cultural heritage site, and Blagaj is home to approximately 5,000 people, mostly of Bosniak descent. According to Buco, the State's route would run directly through the center of Blagaj, a plan that infuriated Blagaj citizens. The Federation, under Buco's guidance, revised the plan to move the highway via public land, north of Blagaj. Buco contends this routing would be faster and, although slightly more expensive than the State's route, a preferred option that would avoid land expropriation. Advisor to the State Minister of Transport and Communications Drago Bilandzija countered that Buco's northern solution would disrupt water resources and is 30 km longer. Regarding the Pocitelj piece, Bilandzija explained that the State route travels 600 meters outside of Pocitelj's protected area while Buco contended that the route travels through the protected area. Buco noted that certain circles were pushing hard to keep this piece of the original route, repeating the media speculation that State Minister of Finance Vrankic owned this land. Bilandzija claims that, in fact, the Croat side has been working for several years to achieve 5C progress, but it is Federation Bosniak obstruction that jeopardizes that progress.

EBRD: GREAT INTERNATIONAL EFFORT AGAIN FOR NAUGHT

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¶6. (SBU) The European Bank for Reconstruction and Development (EBRD) worked with relevant Bosnian counterparts -- the State Ministry of Transport and Communications and the two entities to secure nearly 500 million Euros (USD 368 million -- 180 million from EBRD and 300 million from EIB) in

financing for four 5c corridor portions (ref B). However, the political dispute in the Federation is jeopardizing the loan. Assistant Minister Bajrambasic believed that the EBRD was duped from the beginning by then-State Minister of Transportation Ljubic (also a Croat and member of the HDZ-BiH rival party HDZ-1990) into packaging the 5C's four sections for financing. In his opinion, the Sarajevo-Mostar-Croatia section's financing and construction should never have been the EBRD and State's initial focus. Instead, he asserted that the Sarajevo-Doboj-Banja Luka portion, should have been the priority because it has the heaviest traffic patterns and highest number of traffic accidents.

**¶7.** (SBU) According to EBRD officials, the State completed loan prerequisites in accordance with international standards, including feasibility studies, environmental impact assessments, public hearings, and preliminary design work. However, Buco asserted that the public hearings were cosmetic, purely to "check the box" for the EBRD and EIB loans. The EBRD is frustrated that the Federation has ignored the State's progress and prior work and is "arbitrarily" moving alignment of the route. If the Federation fails to quickly resolve the dispute, now in its sixth month, EBRD told us that the European Investment Bank (EIB), EBRD's counterpart in the 5C project, may pull its funding for the Pocitelj portion, jeopardizing EBRD's funding for the remaining pieces.

#### PROGRESS AMONG EXPERTS SUSPENDED FOR POLITICAL GAIN

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**¶8.** (SBU) Following the August 2009 Croat walk-out in the Federation Parliament, HDZ-BiH leader Dragan Covic and SDA leader Suleiman Tihic formed a committee of experts to resolve 5C. According to both Buco and Bilandzija, both technical committee members, the group prepared a compromise for the Federation Parliament's review. However, according to Buco, the Federation Government, led by Prime Minister Mujezinovic, is politicking and has refused to place the issue on Parliament's agenda until a new Minister for Spatial Planning, his close ally, is appointed (ref C). (Note: Former Federation Minister of Spatial Planning Salko Obhodjas resigned in September 2009 over the 5C corridor dispute; he has yet to be replaced. End note.) Mujezinovic has allegedly complained that he does not have any appointees among the Federation Government Ministers and this position would be the PM's first opportunity to select an official. To further aggravate the stalemate, we understand that Federation President Borjana Kristo (HDZ-BiH) is playing quid pro quo and will not accommodate the PM's candidate until his party (SDA) agrees to revoke the appointment of Stipe Prlic

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as the General Manager of HT Mostar - the Mostar-based telecom provider. (Note: Last month, the Federation Government, against HDZ-BiH leader Covic's wishes, approved Prlic's reappointment. HT Mostar has been the traditional "cash cow" for HDZ-BiH, and Prlic's reappointment would complicate HDZ-BiH's access to campaign funds (ref D). End Note)

#### 5C CORRIDOR NOT A PRIORITY FOR REPUBLIKA SRPSKA

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**¶9.** (SBU) After foiling attempts in 2005 to create a state-level highway directorate that would have managed construction and maintenance of the 5C corridor, the Government of Republika Srpska (RS) to date has not completed a single highway project. RS Prime Minister Milorad Dodik has tabled construction of the RS portion of the 5C corridor in lieu of the Banja Luka-Doboj highway. In November 2008, PM Dodik signed a concession with the Austrian firm Strabag to finance and build a large package of roads, a deal he called the "largest single investment in BiH." That package included both the Banja Luka-Doboj section and the RS portion of the 5C corridor. However, Strabag announced in November

2009 that they "were still looking for financing," for their RS road projects. Local media speculate that the RS Government could owe Strabag close to 90 million KM (USD 66 million), even if the projects are not completed.

COMMENT: 12 YEARS WASTED, NO ROAD IN SIGHT

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¶10. (SBU) Each side makes their case -- under the guise of keeping BiH's best interests at heart -- that they are combating corruption and ensuring Bosnian citizens' rights to voice their concerns over the route. It is clear that the 5C corridor, like almost every other project in Bosnia, is about far more than a highway route, construction, concrete, or the economic advancement of BiH. The route has become embroiled in political squabbles and hijacked into the political maneuverings between State and Federation-level Bosniak and Croat officials, while Bosnian lives and livelihoods hang in the midst. The most common assertion behind the failure to move privatization and development forward in every sector (from railways to telecom) in the Federation is its fractured political climate -- the dueling Bosniak parties and their power feud with Croat politicians. The problems with Corridor 5C demonstrate the obstacles -- discord, apathy and opportunism -- that all too often block the road to a brighter future for Bosnia and Herzegovina.

ENGLISH